

SECRET

Approved For Release 2005/11/23 : CIA-RDP80B01495R000600160011-0

April 1973

MEMORANDUM FOR: Executive Secretary
CIA Management Committee

DDI-960-73

SUBJECT : Economic Reporting

1. You recently forwarded a draft terms of reference for a DDI-DDO working group on the general subject of collection and production of economic intelligence. My initial reaction was that the working group would be reworking a great deal of ground that had been extensively investigated over the last year or so.

2. At your suggestion, I have had OER prepare a brief statement (attached) of its activities designed to bring the economic community closer together and, particularly, to develop stronger ties between the consumer, the producer, and the collector.

3. We can, of course, expand on any aspect of the attachment that you might wish. You will note that there are two areas in which further DDI-DDO exploration is recommended:

- Exchanges of personnel between OER and the DDO, [REDACTED]
- The establishment of an informal Agency group comprised of senior representatives from OER [REDACTED] and the DDO, to further facilitate the coordination of collection and to improve communications on economic policy issues and requirements.

25X1

[REDACTED]
PAUL V. WALSH
Assistant Deputy Director
for Intelligence

25X1

Attachment

Distribution:

Orig & 1 - Addressee (1) - DDI (OER File)
1 - D/OER
1 - CIA Mgt File

Approved For Release 2005/11/23 : CIA-RDP80B01495R000600160011-0

25X1

SECRET

Approved For Release 2005/11/23 : CIA-RDP80B01495R000600160011-0

Coordination of the Economic
Intelligence Effort

Identification of Priority Issues

1. Identifying high priority economic targets for collection and analysis is a continuing process that involves keeping abreast of current developments and maintaining contacts with policy officials. OER has established extensive contacts throughout the government and an economist from OER has been assigned to the Council on International Economic Policy (CIEP) since it was first formed in 1971, and to Treasury since January of this year. With the centralization of US foreign economic policy making under Secretary Shultz, the Treasury assignment has been particularly valuable. Through almost daily contact with the Secretary, Deputy Secretary Simon, and Kenneth Dam, Executive Director of the Council for Economic Policy (CEP), we now have a channel for keeping them informed of significant foreign developments and for feedback to the Agency on issues of current policy interest. This enables us to respond promptly in whatever form is most appropriate-- typescript memoranda, formal publications, or briefings.

2. Prior to Secretary Shultz's trip to Europe, for example, we provided him, at his request, a recently published report on the Soviet economy and a typescript memorandum on the extent of Soviet economic dependence on the US. While in Paris we cabled the Secretary a detailed report on international monetary developments and the attitudes of various leaders based on a variety of open, [] sources. (During the recent monetary crisis we prepared daily reports that were LDX'ed at 8:30 each morning to Secretary Shultz, Mr. Flanigan, and Under Secretary of State Casey.) On his return to Washington, OER gave the Secretary and Mr. Simon a 30 minute briefing on the Soviet grain situation; a similar briefing was given to Mr. Dam a few days earlier. These briefings were in support of a policy decision that is imminent on US spring grain acreage.

SECRET

Approved For Release 2005/11/23 : CIA-RDP80B01495R000600160011-0

~~SECRET~~

25X1

3. OER maintains close relations with the Department of Commerce, working principally with Deputy Assistant Secretary, Edward L. Allen, [REDACTED] Relations with the Department of Agriculture and government officials concerned with agriculture are frequent and close, and OER has recently established a special reporting system designed to keep these officials au courant on the principal developments in Soviet agriculture.

Coordination of Analysis

4. There is little formal coordination of unilaterally produced economic studies prepared by CIA or other departments, and we see little need for doing so. We think it is important that policy officials receive more than one view on major issues. It has been our experience that coordination delays production and frequently results in watered-down conclusions.

- The Economic Intelligence Committee (EIC) of USIB can be used for this purpose, but in practice EIC coordination has been limited to studies on Communist economic and military aid.
- The most important vehicle for the preparation of coordinated interdepartmental studies in support of economic policy is the NSSM and CIEPSM process. OER plays an active role in the preparation of many NSSM's and CIEPSM's.
- The Department of State is responsible for drafting most CIEPSM's. As CIA is not a member of CIEP, we are not automatically invited to participate. Where we have participated it has been only because of informal, personal contacts in CIEP.

~~SECRET~~

~~SECRET~~

Approved For Release 2005/11/23 : CIA-RDP80B01495R000600160011-0

- The CIEPSM process could be strengthened if the CIEP Staff were upgraded so that it can play a more active role and become an economic counterpart of the NSC Staff. Moreover, we could participate more fully if the Agency's large role in economic policy support were more formally recognized in some associate capacity in CIEP.

Coordination of Collection and Requirements

5. There is no formal central mechanism for the coordination and direction of the economic intelligence collection effort. Overall guidance and priorities for collection, however, are established at the USIB level by DCID 1/2, [REDACTED]

25X1

25X1

6. In the past year, the EIC has played an active role in the coordination of economic requirements. As a result of a 1972 EIC study on economic intelligence requirements, the following steps have been taken:

- Twenty-three agencies and departments in the Washington economic community are represented on a newly formed EIC Subcommittee on Requirements and Coordination.
- The Subcommittee publishes an Economic Alert List three times yearly and an Economic Reporting Guide annually on each of seven areas of the world. These documents are designed to provide guidance for overt collection and are distributed overseas through the auspices of the Combined Economic Reporting Program of the Department of State.
- In March 1973, the EIC published its first annual coordinated statement of priority economic, financial, and commercial requirements worldwide. This statement was disseminated to all State posts.

Approved For Release 2005/11/23 : CIA-RDP80B01495R000600160011-0

~~SECRET~~

SECRET

- Representatives of the EIC Subcommittee participated in the 1973 revision of DCID 1/2. This year the economic objective statements and priorities were completely revised. The Subcommittee also will participate in the annual revision of [REDACTED]

25X1

7. Outside the USIB mechanism, the Department of State operates a Comprehensive Economic Reporting Program for the coordination and control of guidance and requirements levied on Foreign Service posts. In addition, Treasury, USDA, and AID officers abroad report in response to their own departmental requirements.

8. For the collection of economic intelligence from open sources, the various mechanisms described above are adequate to ensure that collectors are kept advised of coordinated and departmental requirements. The basic problem in the overt field, however, is the availability and quality of collection resources, not duplication of effort or requirements.

9. Economic intelligence requirements pose a more difficult problem for other collection sources because of the increasingly ad hoc nature of requests. The extent to which ad hoc requirements are levied and accepted depends to a large degree on the individual initiative of analysts and collectors and informal communications. Over the years, [REDACTED]

25X1

25X1

10. From our perspective, economic requirements pose several problems for the DDO.

- It is difficult for DDO officers to determine priorities, to be certain that the information requested is not available from other sources, and to provide the field with background guidance.

SECRET

25X1

Approved For Release 2005/11/23 : CIA-RDP80B01495R000600160011-0

Next 1 Page(s) In Document Exempt

Approved For Release 2005/11/23 : CIA-RDP80B01495R000600160011-0